

NEWS RELEASE

**STATE OF INDIANA
TREASURER OF STATE
RICHARD MOURDOCK**

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Pre-Paid Natural Gas Program Expects to Save Consumers \$25 Million

INDIANAPOLIS – Natural gas consumers in three Indiana communities are projected to save more than \$25 million over the next 15 years thanks to the state's first-ever prepaid natural gas program recently initiated in cooperation with the Indiana State Treasurer's Office and the Indiana Bond Bank.

The prepaid gas program, permissible under recent changes in U.S. laws, is a means by which municipal gas utilities can purchase natural gas at prices substantially below market index prices. Similar prepaid gas programs are delivering substantial savings to consumers in several states including Kentucky, Tennessee and Iowa.

Citizens Gas & Coke Utility, Batesville Water & Gas Utility, and Lapel Gas recently formed the Indiana Municipal Gas Purchasing Authority (IMPGA) to implement the prepaid gas program. The program is expected to provide \$24 million in savings to about 266,000 Citizens Gas customers in Marion County. Approximately \$890,000 in savings is projected for about 2,800 customers in Batesville and more than \$300,000 in savings for about 800 customers in Lapel.

Richard Mourdock, Indiana State Treasurer, praised the Indiana Bond Bank and utility officials for working together to consider the needs of consumers. "The Indiana Bond Bank and the three utilities have created a prepaid gas program that will provide substantial savings to consumers. This kind of collaborative approach will be increasingly important to holding down energy costs in the years ahead," said Mourdock, who also serves as chairman of the Indiana Bond Bank Board of Directors.

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"The Indiana Office of Utility Consumer Counselor supports this effort and the benefits it will bring," said Indiana Utility Consumer Counselor Susan L. Macey. "I applaud the leadership of Citizens Gas, in partnership with the Indiana Bond Bank, in creating opportunities for municipal utilities to collaborate and maximize the potential for ratepayer savings."

"The prepaid gas program is one of many investments Citizens Gas has made in recent years to help our customers save money," said Carey Lykins, President & CEO of Citizens Gas. "Citizens Gas is continually focused on providing the very best customer service at the lowest possible cost. We also are pleased that Citizens Gas' size and buying power will enable gas consumers in Lapel and Batesville to save money

through the prepaid program.”

Gary Shuck, President of the Lapel Town Council, said the prepaid gas program is part of Lapel’s ongoing efforts to save consumers money.

“We are proud and honored that the citizens of Lapel can join with Citizens Gas and Batesville in Indiana’s first prepaid gas program. Our hope is that this program will open up more opportunities to save our customers even more money in the years ahead,” said Shuck.

Recent changes in U.S. Treasury regulations and U.S. Tax code provide that prepaid natural gas contracts meeting certain conditions are no longer treated as investment property. Under previous laws, defining prepaid gas contracts as investment property meant municipal utilities had to issue taxable arbitrage bonds to make these long-term gas purchases. Because of the law changes, municipal utilities are now able to make long-term gas purchases by issuing tax-exempt bonds.

The IMPGA program began with the Indiana Bond Bank issuing approximately \$300 million in tax exempt debt that is secured by the revenues of the three IMGPA utilities. The Bond Bank then loaned the proceeds of the debt issue to the IMGPA, which then used it to finance a 15-year pre-pay gas contract through J.P. Morgan Ventures Energy Corp.

IMGPA has entered into gas sales contracts with the three utilities to sell gas at market index less a discount. The discount is expected to average \$0.44 per dekatherm. The average NYMEX price for natural gas over the past two years has been \$8.44 per dekatherm. Indianapolis-based ProLiance Energy will be the gas supply portfolio manager for IMPGA.

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